

***Kansas Lottery
Gaming Facility Review Board
South Central Gaming Zone
July 16, 2008***



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Introduction

The Kansas Lottery Gaming Facility Review Board engaged the partners of Probe Strategic Services to conduct an assessment of the ancillary development and amenities associated with the management proposals for the Lottery Gaming Facilities (LGF) located in the four gaming zones.

To conduct this analysis, Probe examined the characteristics of the market. Based upon the market customer characteristics, the available products in the market area, and the data produced in the gaming market assessments generated in Task 1, a list of possible amenities was developed. In the case of the South Central Gaming Zone, we have examined the customer characteristics in 30, 60 and 100 miles radii and rings from each of the proposed exits from I35, Exit 19 and Exit 33. However, in developing our generic amenity list, we do not use a location specific approach.

Next, we examined each proposal's amenity package by considering the appropriateness of the individual amenity to the property, market, and customer characteristics. We then reviewed the entire amenity package and its alignment with the market and the operating strategy proposed by the prospective managers.

Finally, we compared consolidated versions of the prospective managers pro-formas in relation to each other and their stated visitation estimates to ascertain any differences or identify possible inconsistencies in assumptions.

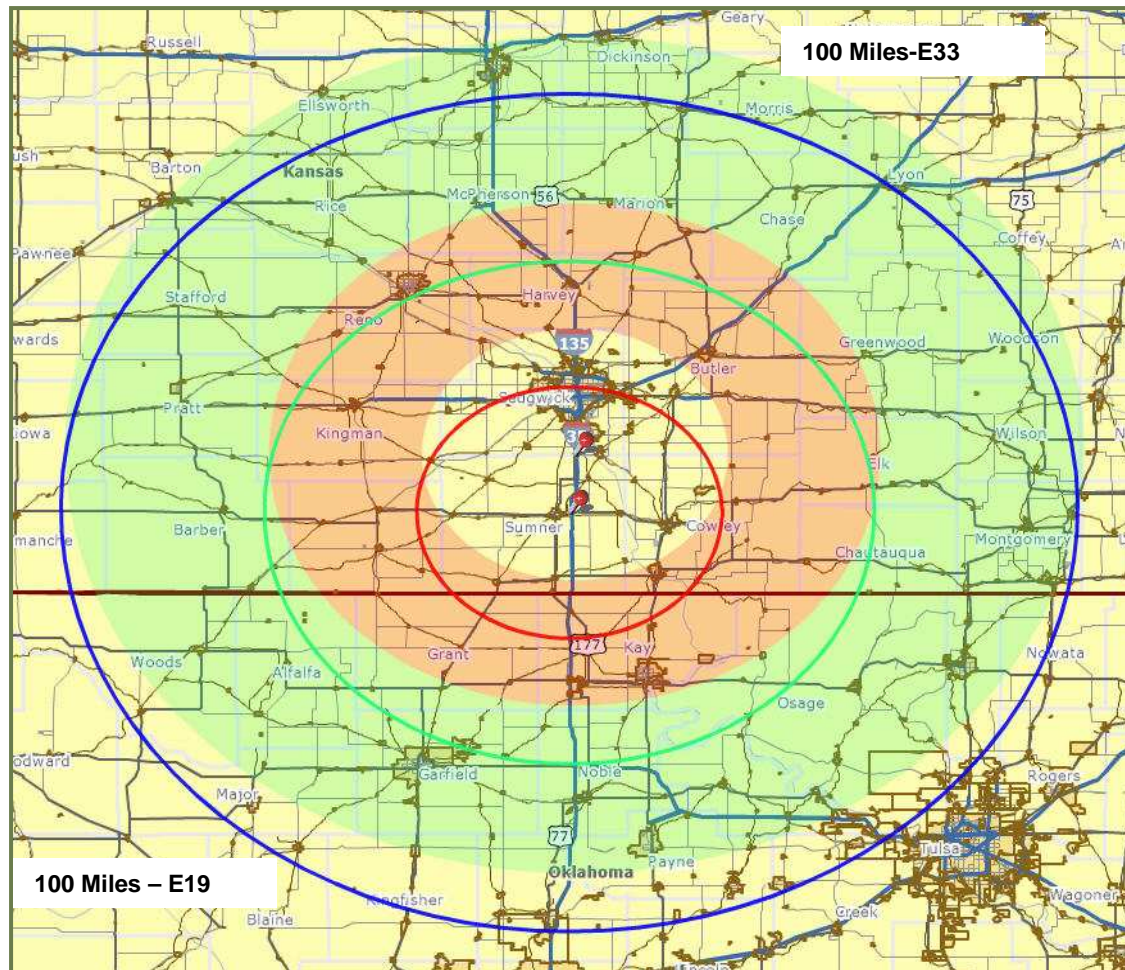
The proposals were examined in the overall context of their ability to fulfill the goals set out in Senate Bill 66:

- Maximize Revenues for the state of Kansas.
- Promote Tourism.
- Serve the best interests of the state of Kansas.

In our professional opinion, each of the amenity and ancillary development packages that are being proposed by the prospective managers are appropriate for their market and overall operating strategy and are sufficient to meet the needs of the visitor volume projected in Task 4 and by the separate market assessments presented by the applicants.

Market Assessment

Market Area



Three applications to manage a Lottery Gaming Facilities were submitted and endorsed for the South Central Gaming Zone in Sumner County. Two were proposed for locations off Exit 19 of Interstate 35 (I35), while one was proposed off Exit 33 of I35.

The closest major city to any proposed location is Wichita, KS with the major market location difference between the sites is that Exit 33 is located 14 miles closer to town compared to Exit 19.

In the regional market, the midpoint between the two proposed casino exits is located approximately 2 hours and 8 minutes from Oklahoma City, 2 hours and 18 minutes from Tulsa and 2 hours and 27 minutes from Topeka.

We have examined demographic data within radius miles from the location, using 30 mile, 60 mile and 100 mile radii. In the map to the left, the shaded areas depict the different distance radii from the Exit 33 site while the circles depict the radii from the Exit 19 site.

Data is presented for the 0-30, 0-60 and 0-100 mile radii.

Market Assessment

Demographic Composition – Population / Age

Population by Age	2008 Demographic Data Population Within						2008 Demographic Data Population Within			
	0-30 Miles		0-60 Miles		0-100 Miles		31-60 Miles		61-100 Miles	
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33
Total Populatoin	383,685	561,342	720,678	780,854	1,234,457	1,255,419	336,993	219,512	513,779	474,565
Average Age	35.1	35.2	36.1	36.4	37.1	36.9	37.4	39.9	38.6	38
Adult Population Over 21	267,428	388,112	504,186	548,628	879,427	892,854	236,367	159,190	376,292	345,768
Population 45 Years +	139,661	204,328	273,858	299,848	490,079	495,891	134,123	95,049	216,301	196,470
Population 45 Years + %	52%	53%	54%	55%	56%	56%	57%	60%	57%	57%

Within 30 miles of the Exit 19 location, there are 383,685 residents with an average age of 35.1 years; the comparable data from Exit 33 location is 561,342 population with an average age of 35.2 years. At this distance from Exit 19, there are 267,428 Adults over the age of 21, the comparable Adult population at Exit 33 is 388,112. 52% of the Adult population is over 45 years of age and totals 139,661 at exit 19; the comparable numbers for Exit 33 are 53% over 45 years, totaling 204,328.

Within 60 miles of the Exit 19 location, there are 720,678 residents with an average age of 36.1 years; the comparable data from Exit 33 location is 780,854 population with an average age of 36.4 years. At this distance from Exit 19, there are 504,186 Adults over the age of 21, the comparable Adult population at Exit 33 is 548,628. 54% of the Adult population is over 45 years of age and totals 273,858 at exit 19; the comparable numbers for Exit 33 are 55% over 45 years, totaling 299,848.

Within 100 miles of the Exit 19 location, there are 1,234,457 residents with an average age of 37.1 years; the comparable data from Exit 33 location is 1,255,419 population with an average age of 36.9 years. At this distance from Exit 19, there are 879,427 Adults over the age of 21, the comparable Adult population at Exit 33 is 892,854. 56% of the Adult population is over 45 years of age and totals 490,079 at exit 19; the comparable numbers for Exit 33 are 56% over 45 years, totaling 495,891.

Market Assessment

Demographic Composition - Race

Percent of Total Population by Race/Ethnicity	2008 Demographic Data Population Within						2008 Demographic Data Population Within			
	0-30 Miles		0-60 Miles		0-100 Miles		31-60 Miles		61-100 Miles	
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33
White	79%	79%	81%	81%	82%	83%	82%	89%	85%	85%
Black	7%	8%	7%	7%	5%	5%	6%	2%	3%	3%
American Indian	1%	1%	2%	2%	3%	2%	2%	2%	4%	4%
Asian or Pacific Islander	4%	4%	3%	3%	3%	3%	2%	1%	1%	2%
Some Other Race	0%	5%	5%	4%	5%	4%	5%	3%	4%	3%
Two or More Races	3%	3%	3%	3%	4%	3%	3%	3%	4%	4%
Hispanic Origin	10%	10%	9%	9%	7%	8%	8%	6%	4%	6%

Within 30 miles of the Exit 19 and the Exit 33 locations, there are no differences in the percentages of the White (79%), American Indian (1%), Asian or Pacific Islander (4%) and Hispanic (10%) populations. Within 30 miles of Exit 19 location, 7% of the population is Black; the comparable percentage from Exit 33 location is 8%.

Within 60 miles of the Exit 19 and the Exit 33 locations, there are no differences in the percentages of the White (81%), Blacks (7%) American Indian (2%), Asian or Pacific Islander (3%) and Hispanic (9%) populations.

Within 100 miles of the Exit 19 and the Exit 33 locations, there are no differences in the percentages of the Black (5%) and Asian or Pacific Islander (3%) populations. Comparing the two locations at 100 miles, there is a only a 1% difference for White, American Indian, and Hispanic populations.

Market Assessment

Demographic Composition – Educational Attainment

Percent of Total Population by Educational Attainment	2008 Demographic Data Population Within						2008 Demographic Data Population Within			
	0-30 Miles		31-60 Miles		61-100 Miles		60 Miles		100 Miles	
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33
No High School Diploma	13%	12%	12%	14%	15%	14%	12%	12%	13%	13%
High School Graduate	33%	31%	30%	34%	35%	34%	32%	32%	33%	33%
Some College	32%	31%	31%	33%	29%	29%	31%	32%	30%	31%
Bachelor Degree	23%	27%	28%	19%	21%	23%	25%	25%	24%	24%

Within 30 miles of the Exit 19 location or the Exit 33 location, there are 1% differences in the percentages of the No High School (13% at Exit 19 and 12% at Exit 33) and Some College (32% at Exit 19 and 31% at Exit 33) populations; 2% difference in High School Graduates population (33% at Exit 19 and 31% at Exit 33); and a 4% difference in the Bachelor Degree population (23% at Exit 19 and 27% at Exit 33).

Within 60 miles of the Exit 19 and the Exit 33 locations, there are no differences in the percentages of the No High School (12%), High School Graduates (32%), and Bachelor Degree (25%) populations. There is a 1% difference in Some College population (31% at Exit 19 and 32% at Exit 33).

Within 100 miles of the Exit 19 and the Exit 33 locations, there are no differences in the percentages of the No High School (13%), High School Graduates (33%), and Bachelor Degree (24%) populations. There is a 1% difference in Some College population (30% at Exit 19 and 31% at Exit 33).

Market Assessment

Demographic Composition – Financial

Per Capita	2008 Demographic Data Population Within						2008 Demographic Data Population Within			
	0-30 Miles		0-60 Miles		0-100 Miles		31-60 Miles		61-100 Miles	
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33
Median Disposable Income	\$ 16,368	\$ 17,187	\$ 16,392	\$ 16,286	\$ 15,361	\$ 15,471	\$ 16,531	\$ 14,684	\$ 14,188	\$ 14,299
Indexed to US	0.98	1.03	0.98	0.97	0.92	0.92	0.99	0.88	0.85	0.85
Mean Disposable Income	\$ 19,791	\$ 20,877	\$ 20,168	\$ 20,096	\$ 19,252	\$ 19,360	\$ 20,672	\$ 18,081	\$ 17,929	\$ 18,036
Indexed to US	0.88	0.93	0.90	0.89	0.86	0.86	0.92	0.80	0.80	0.80
Median Net Worth	\$ 33,597	\$ 41,626	\$ 39,160	\$ 38,952	\$ 35,264	\$ 34,984	\$ 46,162	\$ 33,319	\$ 31,005	\$ 29,185
Indexed to US	0.82	1.02	0.96	0.95	0.86	0.86	1.13	0.82	0.76	0.71
Mean Net Worth	\$ 136,704	\$ 160,734	\$ 154,899	\$ 155,933	\$ 149,414	\$ 150,418	\$ 176,225	\$ 143,604	\$ 141,500	\$ 140,474
Indexed to US	0.70	0.82	0.79	0.79	0.76	0.77	0.90	0.73	0.72	0.72

Within 30 miles of Exit 19, half the population (median) earns \$16,368 or more in disposable (after tax) income; within 60 miles, \$16,392 or more; within 100 miles, \$15,361 or more. The average (mean) disposable income within 30 miles of Exit 19 is \$19,791; within 60 miles \$20,168; within 100 miles, \$19,252. The average (mean) net worth of the population within 30 miles is \$136,704; within 60 miles is \$154,899; with 100 miles is \$149,414.

Within 30 miles of Exit 33, half the population (median) earns \$17,187 or more in disposable (after tax) income; within 60 miles, \$16,286 or more; within 100 miles, \$15,471 or more. The average (mean) disposable income within 30 miles of Exit 33 is \$20,877; within 60 miles \$20,096; within 100 miles, \$34,984. The average (mean) net worth of the population within 30 miles is \$160,734; within 60 miles is \$155,933; with 100 miles is \$150,418.

We can compare the mean disposable incomes at various distances from the Exit locations to the U.S. Index. At 30 miles radius, location 33 is 5% closer to the national average in mean disposable income than location 19 (.88 for Exit 19; .93 at Exit 33). At 60 miles distance from each location, Exit 19 is 1% closer to the national average disposable income (.90 for Exit 19; .89 at Exit 33); at 100 miles, there is no difference (.86).

Market Assessment

Data Note on Index Construction and Sources

The following slides detail the resident population's **Market Potential Index** (MPI). This measures the relative likelihood of the adults in the specified trade area to exhibit certain consumer behavior or purchasing patterns compared to the U.S. average. An MPI of 100 represents the U.S. average.

These data are based upon national propensities to use various products and services, applied to local demographic composition. Thus, consumer behaviors in an area are inferred from the known behavior of persons with similar characteristics obtained from a representative national survey.

Usage data were collected by Mediamark Research Inc. in a nationally representative survey of U.S. households.

Market Assessment

Entertainment and Leisure Activities

Based Upon Propensity of US Population with Demographics similar to Market Area

Activity - Gaming	2008 Index of Participation in Activities						2008 Index of Participation in Activities			
	30 Miles		60 Miles		100 Miles		Index of Area Participation			
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	31-60 Miles		61-100 Miles	
Gambled at casino in last Year	90	95	92	91	89	89	94	83	85	86
Gambled at casino 6+ times in last Year	105	104	103	103	101	102	100	98	98	101
Played bingo in last 12 months	105	103	105	105	105	105	104	108	105	105
Bought lottery ticket in last 12 months	101	102	101	100	98	98	100	97	94	94
Played lottery: <2 times in last 30 days	96	98	96	95	92	92	96	87	86	88
Played lottery: 2-6 times in last 30 days	101	103	101	101	98	98	101	96	94	94
Played lottery: 7+ times in last 30 days	106	104	106	107	106	106	107	112	106	106

This chart presents, in part, the casino gambling and bingo playing indices that compare the market area of the study to the propensities of the national population with similar demographics. Generally, the propensity of this population is less likely to have gambled at a casino last year, but more likely to have attended a casino multiple times and to play bingo.

At a 30 miles radius from each exit, there is a difference of five units in the index for those who gambled at a casino last year (90 for Exit 19; 95 for Exit 33). At 60 miles, the difference is one unit (92 at Exit 19; 91 for Exit 33). There is no difference at 100 miles from each exit (index 89).

At a 30 miles radius from each exit, there is a difference of one unit in the index for those who gambled at a casino six or more times in the last year (105 for Exit 19; 104 for Exit 33). There is no difference at 60 miles from each exit (index 103). At 100 miles, the difference is one unit (101 at Exit 19; 102 for Exit 33).

At a 30 miles radius from each exit, there is a difference of two units in the index for those who played bingo in the last 12 months (105 for Exit 19; 103 for Exit 33). There is no difference in the index at 60 or 100 miles from each exit (index 105).

Market Assessment

Entertainment and Leisure Activities

Based Upon Propensity of US Population
with Demographics similar to Market Area

Activity - Dining and Eating Out	2008 Index of Participation in Activities						2008 Index of Participation in Activities			
	30 Miles		60 Miles		100 Miles		Index of Area Participation			
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	31-60 Miles		61-100 Miles	
Went to bar/night club in last Year	102	103	101	101	101	102	101	96	101	105
Dined out in last 12 months	96	100	98	98	96	96	100	93	94	94
Dine out < once a month	97	99	101	100	102	102	105	103	104	106
Dine out once a month	101	103	101	101	98	99	101	94	94	96
Dine out 2-3 times a month	95	97	97	97	97	98	101	97	97	98

The population demographics at both Exits project a slightly above average propensity to attend a bar/night club in the last year. Both Exits have slightly lower than average propensity to dine out in the last 12 months. The exception is the population at Exit 33 within 30 mile radius that exhibits an average propensity to dine out.

Market Assessment

Entertainment and Leisure Activities

Based Upon Propensity of US Population
with Demographics similar to Market Area

Activity - Outdoor Sports	2008 Index of Participation in Activities						2008 Index of Participation in Activities			
	30 Miles		60 Miles		100 Miles		Index of Area Participation			
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	31-60 Miles		61-100 Miles	
Participated in golf	93	102	97	96	92	92	100	82	85	87
Play golf < once a month	93	103	97	96	90	90	101	79	80	82
Play golf 1+ times a month	91	98	96	96	95	95	102	89	93	95
Participated in boating (power)	100	102	104	104	106	107	108	108	110	111
Participated in fishing (fresh water)	113	109	116	117	126	125	121	136	138	137
Participated in motorcycling	104	107	108	108	110	110	113	110	113	113
Participated in horseback riding	100	100	104	104	109	109	109	114	116	116
Participated in hunting with rifle	109	101	117	118	140	138	125	158	170	169
Participated in hunting with shotgun	108	106	112	112	122	119	116	128	134	129
Participated in target shooting	104	104	108	108	112	112	113	120	118	118

We would expect the population in the area to participate in a variety of leisure activities at or above the national average. Outdoor activities such as hunting, target shooting, motorcycling, horseback riding and fishing are among those activities these customers enjoy based on their demographics. Participation in golf estimated to be slightly below the national average, but the population within 30 miles of Exit 33 has a slightly higher propensity to participate in golf as a sport.

Market Assessment

Entertainment and Leisure Activities

Based Upon Propensity of US Population
with Demographics similar to Market Area

Activity - Event Attendance	2008 Index of Participation in Activities						2008 Index of Participation in Activities			
	30 Miles		60 Miles		100 Miles		Index of Area Participation			
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	31-60 Miles		61-100 Miles	
Attended auto show in last 12 months	106	108	105	105	100	101	104	97	93	94
Attend auto racing (NASCAR)	108	109	109	108	108	107	110	104	108	106
Attend auto racing (not NASCAR)	110	109	109	109	110	109	109	108	110	111
Attend football game (college)	100	105	101	101	100	101	102	89	97	101
Attended movies in last 6 months	96	100	96	96	92	93	96	86	86	88
Attended movies in last 90 days:<1/month	99	102	100	99	96	97	101	92	92	93
Attended country music last year	112	113	116	116	117	117	120	124	119	120
Attended rock music Las Year	94	100	94	93	87	89	93	75	78	82

The area demographics forecasts a population likely to attend racing events, auto shows, college football games and country music shows. The population is slightly less likely to attend rock music concerts or attend a movie.

Market Assessment

Entertainment and Leisure Activities

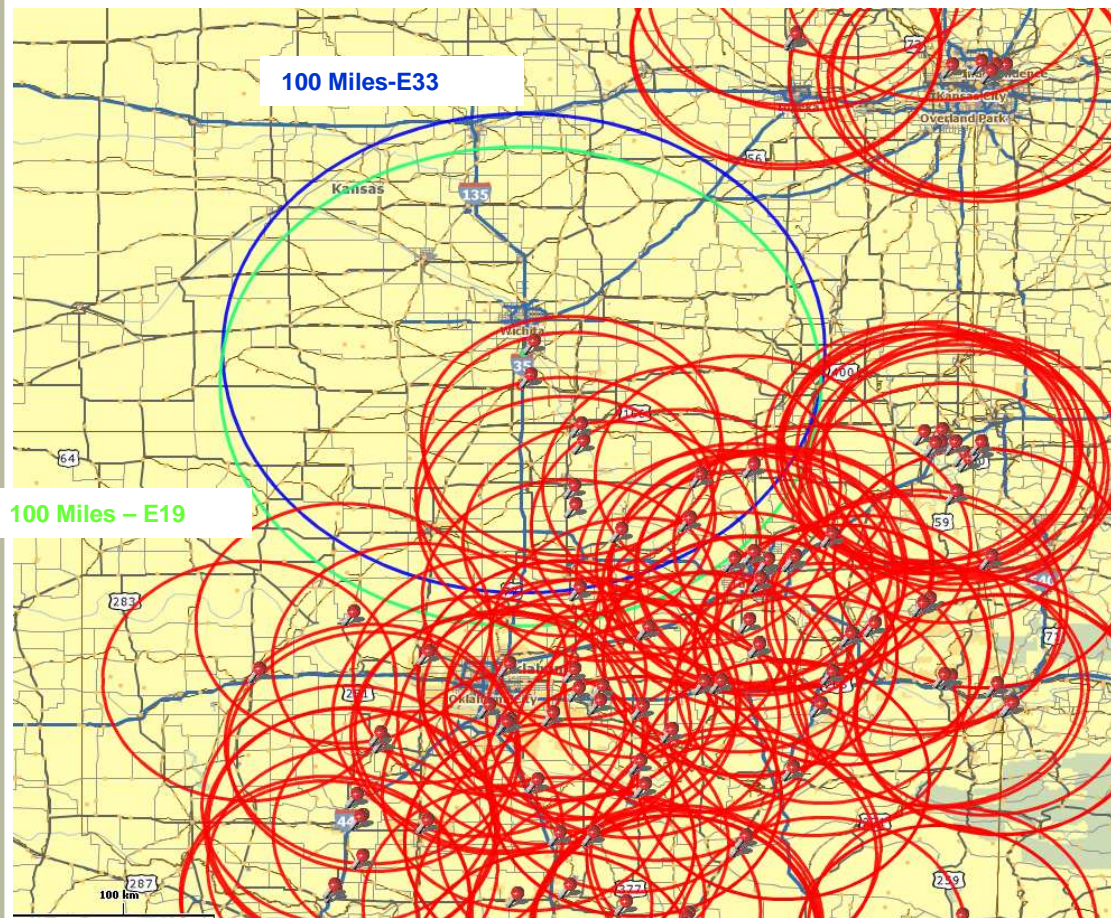
Based Upon Propensity of US Population
with Demographics similar to Market Area

Activity - Exercise	2008 Index of Participation in Activities						2008 Index of Participation in Activities			
	30 Miles		60 Miles		100 Miles		Index of Area Participation			
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	31-60 Miles		61-100 Miles	
Participated in yoga	84	91	85	84	80	81	85	67	74	77
Participated in aerobics	90	99	91	90	81	82	92	67	68	71
Participated in jogging	91	97	92	91	88	89	93	76	82	86
Participated in basketball	102	105	101	101	101	103	101	92	102	107
Participated in bowling	109	112	108	107	104	105	106	95	98	101
Participated in football	102	103	101	100	102	104	99	93	103	109
Participated in volleyball	106	108	104	104	103	105	103	96	102	105
Participated in tennis	81	89	83	82	81	82	86	66	77	81
Participated in swimming	99	103	101	100	99	99	103	94	96	96

The demographics suggest a population in this area is less likely to participate in individual physical activities such as yoga, aerobics, and jogging. Participation in swimming is about average. However, the population is more likely to participate in team activities and sports such as basketball, bowling, football, and volleyball. Tennis is the only competitive sport with less than average participation.

Market Assessment

Regional Casino Competition



As reported in the Wells Task 1 *Kansas Casino Market Study* there are 54 gaming facilities located in the 150 mile trade area from the proposed property locations. For illustrative purposes, we present the following map of the greater regional trade area which includes Oklahoma City, Tulsa, Topeka and the Kansas City areas to visualize some of the trade overlap. The 100 mile radius for the Exit 19 location is shown in green, while the 100 mile radius for the Exit 33 location is in Blue.

The other three proposed LGFs are not depicted on this map. We believe that there will be limited competition from the other LGFs, and that competition will come from the Northeast Zone.

All the other gaming facilities in the area are depicted with a 50 mile red radius surrounding the property to illustrate the ubiquity of the competition in the area and the overlapping effects. The Oklahoma properties are almost all considered to be convenience properties with lesser amenities and more restrictive games and will have differential gravitational pulls in their area proportionate to their size and attractiveness. Oklahoma does not have a property with the potential attractiveness of the proposed properties. The market is well served at the convenience level with the availability of basic Indian facilities. Convenience will not be a driving reason for Oklahomans to visit Sumner County, other enticements must be offered.

Market Assessment

Market Area Offerings – Hotel and Convention

Hotel Supply

Total Hotels in MSA	108
Total Rooms in MSA	8,118
Upper Level Hotels in MSA	19
Upper Level Rooms in MSA	2,449

According to the Greater Wichita Convention and Visitors Bureau, there are approximately 3.4 million visits to the area each year, including overnights in hotels and in residences.

There are 108 hotels serving the Wichita MSA, with 8,118 rooms.

There are currently no Luxury hotels in the market. Nineteen hotels that are classified as “upper end of the market” with 2,449 rooms among them.

Utilizing Smith Travel Research data and Probe projections, we believe that the Average Daily Rate (ADR) in 2011 for an upscale room in the Wichita Market will be \$108 and the occupancy rate will be 72%.

Of the 108 hotels in the market, 41 have some convention space totaling 192,444 sq ft. There are eight hotels with 10,000 sq ft or more space. There are two hotels with 30,000 sq ft or more. Both are Upper Level properties. There is an additional 195,500 sq ft of space in the Century II Performing Arts and Convention Center. There is also event space at the Kansas Coliseum, and a variety of non-traditional spaces located outside hotels throughout the city.

Hotels with Convention Supply

Hotels with Convention (any)	41
Total Hotel Convention Space (sq ft)	192,444
Hotels with 10,000 sq ft or greater	8
Hotels with 30,000 sq ft or more	2

Market Assessment

Market Area Offerings - Entertainment

- Old Town entertainment district composed of restaurants, retail shops, nightclubs, galleries, and museums
- The open air Bradley Fair and Shops at Tallgrass with dining, lodging, and retail shops
- Waterfront area with fine dining, shopping, spas, a stocked lake, and nature trails
- Numerous family-centered attractions, the Wellington based Challenger Learning Center of Kansas, Exploration Place, the Sedgwick County Zoo, the Tanganyika Wildlife Park, and Rock River Rapids water park
- 36 Museums, including the Kansas Sports Hall of Fame and the Wichita Art Museum
- The Music Theatre of Wichita and the Grand Opera
- Tours, such as the Western Heritage Drive Tour and the Historic Trolley Tour
- Dinner theatre options, including the Cabaret Old Town dinner theatre and two “Chuckwagon Supper” dinner theatres
- Wichita Thunder Hockey and Wingnuts Baseball
- The 1300 seat Historic Orpheum Theatre which hosts a film series, plays and concerts
- The 28,500 sqft Cotillion which hosts concerts and events in the area.

The LGF will compete locally with other entertainment options. While the casino will be a unique offering in the local area, the amenity entertainment options will compete for non-gaming visits with other venues in the local region.

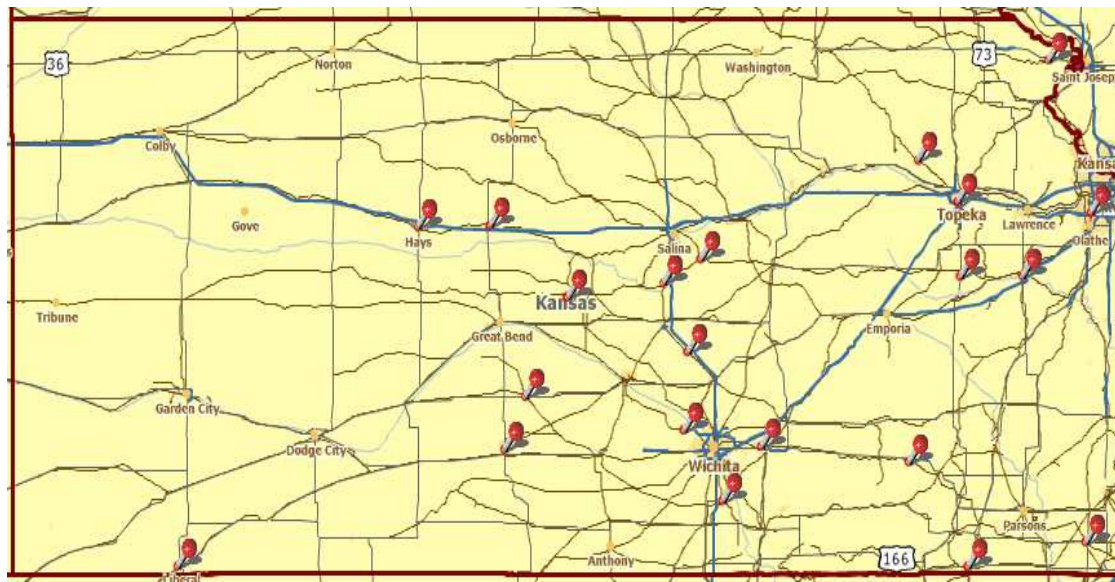
Wichita offers a variety of entertainment options. A selected list of entertainment venues is found in the box on this page.

The LGF will need to offer a unique set of non-gaming amenities to compliment the casino for gaming customers. The LGF will also need to provide a compelling reason for trial and repeat use among non-gaming customers.

Market Assessment

Market Area Offerings - Entertainment

Kansas Skeet Shooting and Sporting Clay Locations



Given the demographic propensity of the population to participate in hunting and shooting sporting activities, we examined the current supply of Skeet and Sporting Clay facilities in the current market place.

Throughout Kansas, there are 16 Sporting Clay facilities, including one in Bell Plaine located between Exits 19 and 33, and one in Augusta, east of Wichita.

There are 12 Skeet Shooting Facilities throughout Kansas, one located Northwest of Wichita in Colwich.

Market Assessment

Market Area Offerings - Entertainment

Regional Golf Demand

NGF Golf Demand Report	30 Miles	60 Miles	100 Miles
Index: Golfing Households	113	111	102
Index: Played by Residents	93	92	85
Index: Played Locally (less than 50 mi)	86	88	81
Index: Played Regionally (50-200 mi)	91	87	78
Index: Played on Vacation (more than 200 mi)	144	144	132
Index: Played at Seasonal Home	127	127	128
Index: Golfing Fees	78	78	73

Regional Golf Supply

NGF Golf Supply Report	30 Miles	60 Miles	100 Miles
Total	29	56	109
Public	20	38	71
Private	9	18	38
Resort	1	2	2

Regional Golf Supply Index

NGF Golf Supply Report	30 Miles	60 Miles	100 Miles
HH Supply Index: Total	109	85	77
HH Supply Index: Public	122	95	87
HH Supply Index: Private	87	70	61
HH Supply Index: Premium (>\$70)	0	0	0
HH Supply Index: Standard (\$40-\$70)	170	145	156
HH Supply Index: Value (<\$40)	81	61	54

Indices are based on a comparison to the US average of 100

Despite pronouncements that Baby Boomers everywhere would be flocking to golf courses and a nascent interest in the sport thanks to stars like Tiger Woods, golf courses remain a difficult business. We examined data from the National Golf Foundation for 30, 60 and 90 mile areas from Wichita to determine the local demand for Golf in relation to supply.

Based upon the demographic composition of the area, the Index of golfing households in the 30 mile area is 113, above the national average; however, rounds played by local residents is below the national level at 93. This is partially a function of the Northern Latitude location of the area, limiting the season. Residents within 30 miles are more likely to play regionally (91) compared to locally (86) and most likely to play on vacation (144).

There are a total of 29 courses within 30 miles of Wichita, 20 Public, 9 Private and 1 Resort (Terradyne Country Club). The local area is over supplied (109) compared to the national benchmark, and significantly oversupplied with regards to Public courses (122). There is an undersupply of Private (87) courses in the market, as well as an undersupply of Value (81) courses compared to the US benchmark. There is a vast oversupply of Standard courses (170).

Product Assessment

Potential Products

2012 Task 1 Estimates

Measure	Wells	Cummings	Average
Visitors	2,495,045	2,784,796	2,639,921
Revenues	\$175,687,880	\$213,457,000	\$194,572,440

Probe has been asked to examine the potential amenities assuming the Task 1 gaming revenue estimates. Operating under this instruction, we make the following assumptions:

Casino Size, 2000 slot machines with 50 table games.

The Task 1 estimates of visitation for this facility are located in the accompanying table.

Given these estimates, the average daily attendance would be 7233 with average win per patron of \$73. In a local environment such as this, approximately 55% to 60% of the visits to the property would occur over weekends and holidays. Visitation will peak on Saturday at about 1.6 times the daily average, or an expected 11,572 patrons on a typical Saturday. Facilities should be planned to meet this typical pattern, with excess capacity for peak days and times.

The number, level, and type of amenities proposed by any prospective manager will be dependent on company strengths, their interpretation of the market, and their operating strategy.

Product Assessment

Potential Products

Potential Products

F&B:

Buffet: (300-400 Seats). A live action exciting food product on par with a Las Vegas property to provide a resort, something out of the ordinary feel.

Café: (125-175 Seats) Local influenced dining establishment.

Specialty Restaurant: (100-150 seats) Steakhouse or other specialty restaurant

Food Court/Quick Serve: (50-75 Seats) Appeal to the budget/convenience gambler looking for an inexpensive and fast alternative.

Three to Four Casino bars: A center or main bar attraction, a bar with ability for live entertainment, a sports bar or other bar and a bar away from the casino perhaps co-located in a restaurant.

Retail:

Sundry and Gift Shop: Convenience items and logo gift items.

Hotel:

Rooms: 300-400 Upscale (Hilton/Hyatt/Marriott) with modern amenities. Would be used for casino guests, marketed regionally as a destination, utilized for local corporate business and regional association meetings and conventions. It would be positioned for intercept traffic on I-35, especially for north bound traffic.

Dual Use Convention/Entertainment space: Would be sized for use in entertainment as well as convention space.

Other Hotel Amenities: Pool with function space and cabanas; Spa; Executive meeting space

Additional Features:

Truck, and Bus Parking – Traffic intercept of I35 and marketed bus trips to outer regional markets.

RV park with full hook-ups.

Local Market:

Given the strong local market to be expected from Sumner and Sedgwick counties, additional potential products would include non-gaming activities that could be utilized throughout the year such as Bowling or Movie Theaters, noting that further investigation into the market would be warranted.

Proposal Assessment

The following pages contain Probe's assessment of each of the prospective managers' amenities..

For each proposal, we present an overview of the amenities offered, and then offer comments by area.

In addition to a description of the amenities, the consolidated pro formas for the third year of each operation are displayed where available. We present the third year as this will be the time when most properties would achieve stable operations. In relation to the prospective managers' estimates of gaming revenue, the proposals contain reasonable, albeit optimistic at times, estimates of performance.

The revenue projections for the ancillary products are relative to the amount of visitation each property would achieve. Should the properties achieve only the visitation projected in Task 4, ancillary revenue would decline in a proportionate manner.

It is worth highlighting for the board a potential difference that can emerge among the pro formas based upon the pricing of hotel rooms and the corporate strategy for accounting for revenue.

Utilizing Smith Travel Research data for the Wichita market, we believe that a 300 room casino property with the amenities described could achieve an ADR of \$127.in the third year of operations, or 2013.

Casinos will offer complimentary and discounted rooms to its casino segment of customers. Internally, the hotel department will charge the casino department a transfer price for the complimentary goods and services provided in the hotel for casino customers. Depending on the corporate strategy, the hotel may charge the casino a rate that yields up or down with the market, or a standard below market rate to the casino.

How this internal transfer price is set can affect the overall average daily rate as reported or projected. If the corporate strategy is to report revenue in the hotel, a higher market drive transfer price would be used. If the strategy is to show greater income in the casino department, there would be a larger differential between the transfer price and the market price.

Consequently, differences in average daily rates contained in the different proposals may not reflect actual prices paid in the market.

Proposal Assessment

Marvel Gaming

Ancillary Products Summary

Marvel Gaming has proposed a property operating as Trailhead Casino and Resort. The property will be located at a half mile off I-35, Exit 19 at the intersection of US 160 and Seneca Road. The casino will be 87,850 sq ft with 2000 slot machines and 65 table games. The following is an overview of the amenities and ancillary developments that will be available.

There will be five permanent dining outlets on property – with 3 permanent bars, an event bar and a seasonal bar and dining option.

Located on the property will be a 304 room hotel including 132 standard rooms, and 172 premium rooms with differentiated sizes utilizing up to 6 bays. The hotel will include a 1,860 sq ft spa and two pools, a 10,740 sq ft indoor pool space and an outdoor pool. The property will also have 2,500 sq ft of meeting space outside the events area.

There is 40,000 sq ft of convention space that can be broken into 5 break-out rooms and converted into a 2,000 seat entertainment venue (show).

They propose two retail spaces one 1,175 sq ft and another 1,860 sq ft along with 1,500 sq ft of additional retail space for the RV park and 1,500 sq ft for the events center.

Marvel Gaming has committed \$2.3 Million for improvements to the Wellington Golf Course.

Additional amenities include a sporting clay facilities and guiding hunting facility also equipped for fishing.

Also included in the additional development is a 100-space full service RV park.

There are 50 spaces in the proposal for Semi-truck parking.

Proposal Assessment

Marvel Gaming - Hotel

Hotel Rate and Occupancy Data	
Number of hotel rooms	304
Occupancy rate	90%
Y3 Average Daily Rate (ADR)	\$ 95
Leisure Percent of Occupied	80%
Business Percent of Occupied	20%
Percentage residents (< 100 miles)	80%
Percentage tourists (>100 miles)	20%
Year 3 Consolidated Pro Forma	
Rooms Sales	\$ 2,810
Complimentary rooms	6,557
TOTAL REVENUE	9,367
TOTAL HOTEL EXPENSES	4,772
TOTAL HOTEL INCOME	\$ 4,595
Hotel Revenue Ratios	
Comp sales as percent of Revenue	70%
Expenses as percent of Revenue	51%
Income as percent of Revenue	49%

The Trailhead hotel property is appropriate for the market and for the plan as proposed by Marvel Gaming.

As noted in their pro-forma spreadsheet submission, they plan for comp sales to be 70% of the hotel revenue. This is consistent with the stated plans and the previously demonstrated experience of the operators - to utilize their amenities extensively as complimentaries to drive gaming revenue.

The ADR of \$95 projected for year three of operation is under the Probe projected market price of \$127 for a casino property in Sumner county. The lower income as a percent of revenue for the Marvel Gaming property relative to the other proponents could be a function of a more liberal comping strategy, and/or a different method of accounting for comp or discounted rooms.

Proposal Assessment

Marvel Gaming - Food

Outlet	SEATING CAPACITY	Mean Spend/cover	THEME
Harvest Bounty Buffet	500	\$ 15.00	Iconic Kansas Buffet, Seven action kitchens, various food themes and origins
KC Prime Steakhouse	125	\$ 30.00	High end prime steakhouse and seafood, fine dining experience
Bistro	150	\$ 12.00	specialty restaurant, great quality at medium price point, theme not yet determined
Snack Bar	35	\$ 5.00	quick "pick and go" light snack bar fare, sandwiches, salads, burgers, takeout capabilities
Coffee Grab and Go	20	\$ 4.00	Starbucks execution
Pool Cabana Snack Bar	na	\$ 8.00	no theme, poolside cabana food and beverage
Room Service	na	\$ 15.00	no theme, in room dining service offered
Total	830	\$ 12.15	Average weighted by expected covers/day

Year 3 Consolidated Pro Forma	
Food Sales	\$ 7,205
Complimentary Food Sales	9,606
TOTAL REVENUE	16,810
Cost of sales	8,827
GROSS MARGIN	7,983
TOTAL FOOD EXPENSES	8,188
TOTAL FOOD INCOME	\$ (205)
Food Revenue Ratios	
Comp sales as percent of Revenue	57%
Cost of sales as percent of Revenue	53%
Expenses as percent of Revenue	49%
Income as percent of Revenue	-1%

The Marvel Gaming food outlets are appropriate to the market, and would complement their master brand of Trailhead. For instance, the buffet as an "Iconic Kansas" implementation. With 500 seats, it is the largest proposed buffet among the proponents.

The average price point is the lowest among the prospective managers at \$12.15. Given their estimate of the number of annual covers, they would expect to serve 41% of all visitors to the property (assuming one meal per visitor).

Comp sales are estimated at 57% of total food revenue, and the area overall is projected to have a slight loss, consistent with industry norms.

Proposal Assessment

Marvel Gaming – Beverage

Outlet	SEATING CAPACITY	THEME	Year 3 Consolidated Pro Forma	
Casino Center Bar	125	Elegant prairie style architecture bar, elegantly appointed, unique glass and light appointments, centerpiece attraction for the casino floor	Beverage Sales	\$ 5,346
Steakhouse and Bistro Bar	125	Elegant bar, centered between steakhouse and bistro, providing before and after dinner entertainment for restaurant patrons	Complimentary Beverage Sales	7,129
Sidewinders Casino Bar & Lounge	40	Casino bar complete with video poker, and a stage featuring live entertainment	TOTAL REVENUE	12,475
Poolside Cabana Bar	135	Poolside bar with seating and poolside cabana service (seasonal)	Cost of sales	3,573
Events Center Bar	20	Bar in events pre-function area to service events, concerts, etc.	GROSS MARGIN	8,902
			TOTAL BEVERAGE EXPENSES	4,931
			TOTAL BEVERAGE INCOME	\$ 3,971
			Beverage Revenue Ratios	
			Comp sales as percent of Revenue	57%
			Cost of sales as percent of Revenue	29%
			Expenses as percent of Revenue	40%
			Income as percent of Revenue	32%

The Marvel Gaming food outlets are appropriate to the market.

Comp sales are estimated at 57% of total beverage revenue. Given the inability to offer complimentary alcohol, this may be an over-estimate of actual comps. Income as a percent of revenue is estimated at 32%, which in light of the alcohol complimentary regulations relative to the complimentary sales projections may be high.

Proposal Assessment

Marvel Gaming – Convention/Entertainment

Marvel Gaming has proposed a 40,000 square foot facility that can be used for convention and entertainment purposes. The facility can be divided in to a total of 5 rooms. There is also an additional meeting space of 5 rooms totaling 2,500 sq ft.

Convention sales are consistent with the space available and projected usage.

The mixed use facility will have a seating capacity of 2,000 for entertainment and 2,500 for sporting events

As a mixed use facility, Marvel Sumner will have the ability to utilize the space for entertainment or conventions as it sees fit and can adapt to market conditions as they develop. This is an appropriate use of this space for the market.

Marvel will have entertainment in the Sidewinders Casino Bar & Lounge.

Entertainment sales as reported by Marvel Gaming does not include any complimentary sales, which is inconsistent with the sales strategy in other areas. Also inconsistent is the lack of a Cost of Sales line item. The entertainment loss appears to be a function of employee expenses relative to sales. It is feasible to show a loss in entertainment, it may prove useful to confirm this.

Year 3 Consolidated Pro Forma	
Convention Sales	\$ 4,183
Complimentary Convention Sales	-
TOTAL REVENUE	4,183
Cost of sales	1,771
GROSS MARGIN	2,412
TOTAL CONVENTION EXPENSES	2,134
TOTAL CONVENTION INCOME	\$ 278
Convention Revenue Ratios	
Comp sales as percent of Revenue	0%
Cost of sales as percent of Revenue	42%
Expenses as percent of Revenue	51%
Income as percent of Revenue	7%

Year 3 Consolidated Pro Forma	
Entertainment Sales	\$ 1,069
Complimentary Entertainment Sales	-
TOTAL REVENUE	1,069
Cost of sales	-
GROSS MARGIN	1,069
TOTAL ENTERTAINMENT EXPENSES	1,742
TOTAL ENTERTAINMENT INCOME	\$ (673)
Entertainment Revenue Ratios	
Comp sales as percent of Revenue	0%
Expenses as percent of Revenue	163%
Income as percent of Revenue	-63%

Proposal Assessment

Marvel Gaming – Retail

The Marvel Gaming Retail outlets are appropriate to the facility. The addition of the RV park retail outlet will serve to make that facility more desirable to the RV consumer.

Complimentary sales are 78% of revenue in the retail department. This is consistent with the Trailhead brand plan to engage in a complimentary policy to drive revenue. Sales ratios are consistent with industry norms.

Outlet	Square Feet
Outlet use and theme not yet determined	1,175
Outlet use and theme not yet determined	1,860
Events center retail, supports various events and	1,500
RV Park Sundries and Convenience Store	1,500

Year 3 Consolidated Pro Forma	
Retail Sales	\$ 446
Complimentary Retail Sales	1,598
TOTAL REVENUE	2,044
Cost of sales	878
GROSS MARGIN	1,166
TOTAL RETAIL EXPENSES	412
TOTAL RETAIL INCOME	\$ 754
Retail Revenue Ratios	
Comp sales as percent of Revenue	78%
Comp sales as percent of Revenue	43%
Expenses as percent of Revenue	20%
Income as percent of Revenue	37%

Proposal Assessment

Marvel Gaming – Additional

Marvel Gaming will offer an 1,860 square foot spa in the hotel, an amenity becoming standard across the industry which can be used for packages, and adds to the stature of the facility, but will not drive significant additional tourism as an operating entity.

Marvel will have two pools, one outdoor and one indoor. This is the only proposal with an indoor pool, a feature that provides them the opportunity to offer year round swimming.

Marvel Gaming will offer a championship sporting clay facility. This amenity is an excellent complementary product to the facility and will have above average appeal to the market demographic.

Marvel gaming will operate a 400 acre guided hunting facility, which will also provide seasonal fishing opportunities. This amenity is an excellent complementary product to both the overall brand given the market demographic propensity to participate in hunting but can also be utilized in concert with the sporting clay facility. This amenity is rarely offered at casinos.

Marvel will partner with the Wellington Golf course to offer it as an amenity.

The Marvel Gaming is proposing a 100 space RV park with full hookups. As noted it will include a dedicated convenience store and will also have its own recreation and activities area, including the property tennis courts. This comprehensive facility would added additional premium RV parking space in an underserved market along I35.

There is parking for 50 trucks available to capture traffic on I-35.

Proposal Assessment

Penn Sumner

Ancillary Products Summary

Penn Sumner has proposed a property operating as Hollywood Casino. The property will be located at the South West corner of I-35, Exit 33 with a dedicated southbound toll booth exit. The casino will be 70,000 sq ft with 1500 slot machines and 40 table games. The following is an overview of the amenities and ancillary developments that will be available.

There will be five dining outlets on property – with 1 additional bar.

Located on the property will be a 350 room hotel including 333 standard rooms, 17 luxury suites. The hotel will include a 2,000 sq ft spa and 15,000 sq ft resort pool area. The hotel will also have 4,000 sq ft of meeting space outside the convention area.

There is 30,000 sq ft of convention space that can be divided into 4 break-out rooms and converted into a 1750 seat entertainment venue. In addition to this space, the sports bar will have entertainment seating for 220. While not referenced in any of the written submissions Probe was provided, the Penn National team referenced a I-Max like facility on the roof of the property.

They propose 1,500 sq ft of space for a combined Hollywood Memorabilia / Retail Center.

The proposal includes a 50 space RV park with full hook-ups and parking for 50 trucks.

Proposal Assessment

Penn Sumner - Hotel

Hotel Rate and Occupancy Data	
Number of hotel rooms	350
Occupancy rate	88%
Y3 Average Daily Rate (ADR)	\$ 150
Leisure Percent of Occupied	77%
Business Percent of Occupied	23%
Percentage residents (< 100 miles)	47%
Percentage tourists (>100 miles)	53%
Year 3 Consolidated Pro Forma	
Rooms Sales	\$ 8,384
Complimentary rooms	8,384
TOTAL REVENUE	16,767
TOTAL HOTEL EXPENSES	4,106
TOTAL HOTEL INCOME	\$ 12,661
Hotel Revenue Ratios	
Comp sales as percent of Revenue	50%
Expenses as percent of Revenue	24%
Income as percent of Revenue	76%

The Hollywood hotel property is appropriate for the market and for the plan as proposed by Penn Sumner.

As noted in the pro-forma spreadsheet submission, Penn Sumner plans for comp sales to be 50% of the hotel revenue. This is a standard applied across all departments.

The ADR of \$150 projected for year three of operation is over the Probe projected market price of \$127 for a casino property in Sumner county.

The first five year pro forma shows Hollywood growing their hotel revenue by raising occupancy from 80% in the first year to 95% by 2015 while maintaining price of \$150 across the period. Setting a high price and working to achieve occupancy is consistent with a strategy to establish an upscale property.

Proposal Assessment

Penn Sumner - Food

Outlet	SEATING CAPACITY	Mean Spend/cover	THEME
Epic Buffet	400	\$ 15.00	Featuring a broad range of menu items, salad bar, dessert bar, carving station
KC Prime Steakhouse	175	\$ 50.00	Signature Specialty Restaurant (steak/seafood)
Bistro	200	\$ 20.00	High energy Sports Bar and Entertainment Lounge - multi-use space
Hollywood Diner	125	\$ 12.00	Themed three meal restaurant
Creamery	40	\$ 8.00	Coffee and Pastry Shop
Total	940	\$ 16.72	Average weighted by expected covers/day

Year 3 Consolidated Pro Forma	
Food Sales	\$ 5,223
Complimentary Food Sales	5,223
TOTAL REVENUE	10,447
Cost of sales	3,769
GROSS MARGIN	6,678
TOTAL FOOD EXPENSES	6,520
TOTAL FOOD INCOME	\$ 158
Food Revenue Ratios	
Comp sales as percent of Revenue	50%
Cost of sales as percent of Revenue	36%
Expenses as percent of Revenue	62%
Income as percent of Revenue	1.5%

The Penn Sumner food outlets are appropriate to the market, and within its master brand of Hollywood. The themed dining at the Hollywood Diner is an example of the integration with the brand.

The average price point is \$16.72. Given the estimate of the number of annual covers, Penn Sumner expects to serve 41% of all visitors to the property (assuming one meal per visitor).

Comp sales are estimated at 50% of total food revenue, and the area overall is projected at 1.5%, consistent with industry norms.

Proposal Assessment

Penn Sumner - Beverage

Outlet	SEATING CAPACITY	THEME
Sports Bar & Entertainment Lounge	200	Sports Bar and Entertainment Lounge - Restaurant

The Penn Sumner Sports Bar is appropriate for the market demographics. The Sports Bar would also appeal to the market given the strong support of college sports in the area.

Comp sales are estimated at 50% of total beverage revenue. Given the inability to offer complimentary alcohol, this may be an over-estimate of actual comps. While the percentage of sales that are comps are high the overall income as a percent of revenue is estimated at 8%, and the percent of F&B sales that are beverage is 28% for Penn Sumner compared to 43% of Marvel Gaming (SGJV not available). While both numbers seem reasonable, there may be some impact of the acknowledgement of the lack of alcohol comps upon the Penn Sumner figures.

Year 3 Consolidated Pro Forma	
Beverage Sales	\$ 1,306
Complimentary Beverage Sales	1,306
TOTAL REVENUE	2,612
Cost of sales	784
GROSS MARGIN	1,828
TOTAL BEVERAGE EXPENSES	1,630
TOTAL BEVERAGE INCOME	\$ 198
Beverage Revenue Ratios	
Comp sales as percent of	50%
Cost of sales as percent of	30%
Expenses as percent of Revenue	62%
Income as percent of Revenue	8%

Proposal Assessment

Penn Sumner – Convention/Entertainment

Penn Sumner has proposed a 30,000 square foot Multi-Purpose Entertainment Venue - capable of hosting live concert and sporting events, trade shows, banquets and conventions. There is additional meeting space contained within the hotel that provides for four breakout rooms. Breakout room space for the convention area was not provided.

Complimentary convention sales are 50% of total sales, which is the standard value used in the Penn Sumner pro formas.

The Multi-Purpose Entertainment Venue as note can be used for live entertainment and seat 1,750 for a show.

As a mixed use facility, Penn Sumner will have the ability to utilize the space for entertainment or conventions as it sees fit and can adapt to market conditions as they develop. This is an appropriate use of this space for the market.

There will be live entertainment capabilities in the Sports Bar and Lounge.

Complimentary entertainment sales are 50% of total sales, which is the standard value used in the Penn Sumner pro formas.

Year 3 Consolidated Pro Forma	
Convention Sales	\$ 924
Complimentary Convention Sales	924
TOTAL REVENUE	1,849
Cost of sales	924
GROSS MARGIN	924
TOTAL CONVENTION EXPENSES	438
TOTAL CONVENTION INCOME	\$ 486
Convention Revenue Ratios	
Comp sales as percent of Revenue	50%
Cost of sales as percent of Revenue	50%
Expenses as percent of Revenue	24%
Income as percent of Revenue	26%

Year 3 Consolidated Pro Forma	
Entertainment Sales	\$ 1,929
Complimentary Entertainment Sales	1,929
TOTAL REVENUE	3,857
Cost of sales	1,929
GROSS MARGIN	1,929
TOTAL ENTERTAINMENT EXPENSES	1,424
TOTAL ENTERTAINMENT INCOME	\$ 505
Entertainment Revenue Ratios	
Comp sales as percent of Revenue	50%
Cost of sales as percent of Revenue	50%
Expenses as percent of Revenue	37%
Income as percent of Revenue	13%

Proposal Assessment

Penn Sumner – Retail

The Penn Sumner Retail outlets are appropriate to the size of the facility.

Complimentary sales are 50% of revenue in the retail department, a standard across the Penn National proposal.

Sales ratios are consistent with industry norms.

Outlet	Square Feet
Retail Center / Hollywood Memorabilia Museum	1500

Year 3 Consolidated Pro Forma	
Retail Sales	\$ 919
Complimentary Retail Sales	919
TOTAL REVENUE	1,837
Cost of sales	919
GROSS MARGIN	919
TOTAL RETAIL EXPENSES	201
TOTAL RETAIL INCOME	\$ 717
Retail Revenue Ratios	
Comp sales as percent of Revenue	50%
Cost of sales as percent of Revenue	50%
Expenses as percent of Revenue	11%
Income as percent of Revenue	39%

Proposal Assessment

Penn Sumner – Additional

Penn Sumner will offer a 2,000 square foot spa in the hotel, an amenity becoming standard across the industry which can be used for packages, and adds to the stature of the facility, but will not drive significant additional tourism as an operating entity.

Penn Sumner will utilize a collection of Hollywood memorabilia in a dual use retail/museum space.

Penn Sumner will have one outdoor pool.

Penn Sumner is proposing a 50 unit RV park to take advantage of the underserved area market and traffic on I-35.

There is parking for 50 trucks available to capture traffic on I-35.

There will be a dedicated southbound exit from I-35 with direct access to the property.

Proposal Assessment

Sumner Gaming Joint Venture

Ancillary Products Summary

Sumner Gaming Joint Venture (SGJV) has proposed a property operating as Harrah's Kansas. The property will be located at the South West corner of I-35, Exit 19. The casino will be 69,000 sq ft with 2000 slot machines and 50 table games. It will include a World Series of Poker branded poker room. The following is an overview of the amenities and ancillary developments that will be available.

There will be five dining outlets on property – with 3 bars.

Located on the property will be a 175 room hotel including 140 standard rooms, 30 premium rooms and 5 villas. The hotel will include a 4,275 spa, a resort-style pool, and tennis courts.

There is 30,000 sq ft of convention space that can be divided into 12 break-out rooms and converted into a 1500 seat entertainment venue. In addition to this space, one of the proposed bars is a cabaret, with seating for 225, and an outdoor concert facility that will seat 778 in fixed seats with an additional space for 5000 standing attendees.

They propose 1,702 sq ft of retail space for fashion/jewelry and an additional 895 sq ft for a sundries/gift shop.

Additional amenities of Harrah's Kansas include a golf course, golf school, and sporting clay facility.

In addition to the Harrah's Kansas property, the Sumner Gaming Joint Venture has a local partner that, to Probe's understanding, as part of the agreement with the state lottery, will develop additional lands on the East side of I-35. This will include a 100 room brand name limited service hotel and a 90 room brand name mid-service hotel. This additional development will also include a full service fueling station convenience store and 10,000 sq ft of retail.

Also included in the additional development is a 44-space full service RV park.

While not germane to attracting customers to the property, the agreement includes the development of 100 single family homes and 100 apartment units.

Proposal Assessment

SGJV - Hotel

Hotel Rate and Occupancy Data		Harrahs	Additional
Number of hotel rooms		175	190
Occupancy rate		90%	Not Provided
Y3 Average Daily Rate (ADR)	\$	147	
Leisure Percent of Occupied		67%	
Business Percent of Occupied		33%	
Percentage residents (< 100 miles)		20%	
Percentage tourists (>100 miles)		80%	
Year 3 Consolidated Pro Forma			
Rooms Sales		\$ 4,122	Not Provided
Complimentary rooms		4,303	
TOTAL REVENUE		8,425	
TOTAL HOTEL EXPENSES		2,949	
TOTAL HOTEL INCOME		\$ 5,476	
Hotel Revenue Ratios			
Comp sales as percent of Revenue		51%	Not Provided
Expenses as percent of Revenue		35%	
Income as percent of Revenue		65%	

The Harrah's Kansas hotel property is appropriate for the market and for the plan as proposed by SHJV. There are some strategic questions that arise regarding the integration of the casino property with the additional development. As Harrah's has outlined that it will use its Total Reward program to drive visitation, we posit that there may be some tactical management issues with regards to utilizing the additional development rooms in concert with the resort property for events. It does, however, provide a way to offer differentiated rooms by price with regards to the intercept traveler.

As noted in the pro-forma spreadsheet submission, SGJV plans for comp sales to be 51% of the hotel revenue.

The ADR of \$147 projected for year three of operation is over the Probe projected market price of \$127 for a casino property in Sumner county. It is a smaller property and therefore may be able to command a higher rate. Additionally, because of the size of the hotel, Harrah's Kansas is able to project a larger percentage of business guests among the occupied rooms which would also contribute to a higher rate. The presence of a golf course and brand name golf school on the property would also provide the ability to drive rates.

Proposal Assessment

SGJV - Food

Outlet	SEATING CAPACITY	Mean Spend/cover	THEME
Buffet	350	\$ 15.00	Letter of interest signed with Paula Deen to develop signature concept
Steakhouse	200	\$ 35.00	Steakhouse
Café	86	\$ 13.00	Café
Specialty Restaurant	225	\$ 21.00	Letter of interest signed with Toby Keith to develop signature concept
Food Court	100	\$ 9.00	4 outlets
Total	961	\$ 17.73	Average weighted by expected covers/day

The SGJV food outlets are appropriate to the market, and would work within their master brand of Harrah's Kansas.

The average price point is \$17.73, the highest among the prospective managers. Harrah's plans to co-brand their dining outlets with brands appropriate to the Kansas market (Paula Dean, Toby Keith) would help them achieve this price premium. The co-branded outlets would provide additional opportunities to promote visitation to the property. This would be the second execution of the Paula Dean buffet. Toby Keith establishments exist or are planned in tourist feeder markets of Kansas City (Harrah's), Oklahoma City, and Tulsa (Cherokee Casino Resort to add).

Given the SGJV estimate of the number of annual covers, they would expect to serve 30% of all visitors to the property (assuming one meal per visitor), 25% lower than either of the other the proposed applicants. Harrah's food pricing does contain a premium so one would expect lower sales in relation to lower priced offerings. However, since the visitor volume reported in the VISITATION & SPENDING spreadsheet submitted by SGJV includes visits to the additional development across the highway from the Harrah's Kansas Casino property, we believe the 30% figure to be an underestimate of the percentage served of actual visitors to the casino property. It may be useful for the applicant to supply visitation data for the facility vs the additional development.

SGJV reported Food pro forma data combined with Beverage and is presented on the following page.

Proposal Assessment

SGJV - Beverage

Outlet	SEATING CAPACITY	THEME
Sports Bar	135	Letter of interest signed with Anheuser Busch to collaborate on concept
Center Bar	32	Center Bar
Cabaret	225	Cabaret

The SGJV bar outlets are appropriate to the property and market. As with the food outlets, co-branding the sports bar provides the possibility for increased marketing synergy, creating additional awareness and trial customers.

Income as a percent of revenue is at the high range for the industry. The premium pricing strategy accounts for part of this difference. SGJV may also include convention food and beverage in this total while the other prospective managers may include these sales in the convention area.

Year 3 Consolidated Pro Forma	
F&B Sales	\$ 19,741
Complimentary F&B Sales	20,447
TOTAL REVENUE	40,188
Cost of sales	13,360
GROSS MARGIN	26,828
TOTAL F&B EXPENSES	17,871
TOTAL F&B INCOME	\$ 8,957
F&B Revenue Ratios	
Comp sales as percent of Revenue	51%
Cost of sales as percent of Revenue	33%
Expenses as percent of Revenue	44%
Income as percent of Revenue	22%

Proposal Assessment

SGJV – Convention/Entertainment

SGJV has proposed a 30,338 square foot Convention space that is convertible into an entertainment venue. The space can be converted into a maximum of 12 rooms, the most of any of the prospective managers. As opposed to the other proposals for Sumner county, this one does not contain additional meeting space in the hotel.

The Convention space is convertible into entertainment venue with capabilities to seat 1,500.

As a mixed use facility, SGJV will have the ability to utilize the space for entertainment or conventions as it sees fit and can adapt to market conditions as they develop. This is an appropriate use of this space for the market.

There is an additional Outdoor amphitheater proposed with fixed seating for 778 and additional space for 5,000 in standing room. Harrah's has indicated that Country Music Television could be a partner in programming this facility. This would be consistent with the Harrah's strategy of co-branding to leverage marketing reach and appeal.

There will also be a 225 seat Cabaret.

SGJV did not report convention or entertainment separately in their spreadsheet submission.

Proposal Assessment

SGJV – Retail

SGJV proposed retail is appropriate for the property.

There will be an additional fuel station and assorted retail in the development across the highway. There may be incremental induced gaming trips from those utilizing the additional development facilities over and above what would have been captured had the development not existed.

SGJV did not report retail separately in their spreadsheet submission.

Outlet	Square Feet	
	Harrah's	Additional
Boutique fashion / jewelry	1,702	
Sundries / Gift shop	895	
Full Service Fuel		N/A
Assorted Retail		10,000

Proposal Assessment

SGJV – Additional

SGJV will offer a 4,275 square foot spa in the hotel, an amenity becoming standard across the industry which can be used for packages and adds to the stature of the facility, but will not drive significant additional tourism as an operating entity.

SGJV will have one outdoor pool.

SGJV will offer a sporting clay facility. This amenity is an excellent complementary product to the facility and will have above average appeal to the market demographic. Harrah's currently operates a facility in Tunica, MS.

SGJV proposed a Booby Weed/Butch Harmon designed golf course on property. While casinos with golf courses are rarely thought to be profitable on their own, the ability to package the on-property course is an advantage for the casino marketing and the corporate meeting business. Harrah's will also be able to drive business from its Total Rewards program among known golfers. Note that the market assessment indicates that there is demand in the greater market for additional upper tier holes.

SGJV has proposed a Butch Harmon branded golf school. As with the golf course, Harrah's will have the ability to drive Total Rewards players as well as corporate travel to the property to utilize this facility. This is consistent with Harrah's co-branding strategy.

Additional amenities beyond the SGJV property will be developed by Harrah's development partner across I-35. In addition to other features mentioned previously, there will be parking for 44 RV units. This will take advantage of the underserved market in the area. However, it is worth noting that the parking is not on the main property, but rather across the street.

Housing has been proposed as part of the additional development. This will not have a measurable impact on the property.

Cross Proposal Assessment

Ancillary Revenue as Percent of Gaming Revenue

Department	Marvel Gaming	Penn Sumner	SGJV
Casino	100%	100%	100%
Hotel	3.6%	7.7%	3.1%
Food & Beverage	11.3%	6.0%	14.7%
Other	3.3%	3.5%	1.4%
Ancillary Total	18.3%	17.2%	19.2%

Since gaming is the engine that drives the economics of the properties it is useful to examine the revenue lines as a percent of total gaming revenue.

When expressed as a percentage of gaming revenue, the total ancillary revenue projected by the three prospective LGF managers is similar, with Penn Sumner ancillary revenue at 17.2%, Marvel Gaming at 18.3% and SGJV at 19.2%.

The differences in revenue as a percent of gaming revenue are as follows:

In the hotel category, Penn Sumner projects a higher ADR for a larger number of rooms than the other prospective managers. This translates into over twice the hotel revenue as a percent of gaming revenue compared to the other prospective managers.

Likewise, Penn Sumner projects almost half as much F&B revenue as Marvel Gaming and less than half of SGJV as expressed as a percent of gaming revenue. This is partially due to a smaller amount of beverage sales relative to food sales in Penn Sumner's projections. It may also be due to a greater amount of comp sales in food and beverage in the Marvel Gaming Projections. Also, as noted previously, convention food and beverage sales may be included in the SGJV figures. Probe suggests verification of the alcohol comping policy in relation to beverage sales projections by the applicants.

Finally, when convention, retail, entertainment, and other items are combined into an Other category, SGJV Other revenue as a percent of Casino sales is 1.4% compared to 3.3% for Marvel and 3.5 % for Sumner. The Majority of this difference may be due to the exclusion of convention F&B in the Other category for SGJV.

Amenity/Development Summary

Casino	Marvel Gaming	Penn Sumner	SGJV
Sq Ft	87,850	70,000	69,000
Machines	2,000	1,500	2,000
Tables	65	40	50
HOTEL	Marvel Gaming	Penn Sumner	SGJV
Standard # Rooms	132	333	140
Premium # Rooms	172	17	35
Total	304	350	175
Standard Size	400 Sq Ft	392 Sq Ft	450 Sq Ft
Premium Size	550+ Sq Ft	830+ Sq Ft	975 + Sq Ft
Pool and Spa	Marvel Gaming	Penn Sumner	SGJV
Spa Size	1,860 Sq Ft	2,000 Sq Ft	4,275 Sq Ft
Pool	1 indoor and 1 outdoor	1 outdoor	1 outdoor
Restaurant	Marvel Gaming	Penn Sumner	SGJV
Café	Bistro - 150 Seats	Hollywood Diner -125 Seats	Café 86 seats
Buffett	Iconic Kansas -500 seats	Epic Buffet - 400 Seats	Paula Dean - 350 seats
Steak	125 -Seats	175 seats	200 seats
Quick Serve	Snack - 35 Seats	"Creamery" coffe/pastry 40 seats	100 Seats/4 outlets
Other	Starbucks - 40 Seats	Sport bar 200 Seats	Toby Keith- 225 seats
Other	Coffee 20 seats		
Other	Seasonal Pool - 135 Seats		
Bars	Marvel Gaming	Penn Sumner	SGJV
Outlet #1	Casino Center Bar 125 Sq Ft	Sports Bar/Lounge 4,000 Sq Ft	Sports bar (Anheuser Busch) 1,800 Sq Ft
Outlet #2	Steakhouse and Bistro Bar 100 Sq Ft		Center Bar 850 Sq Ft
Outlet #3	Sidewinders Casino Bar & Lounge 40 Sq Ft		Cabaret 3,850 Sq Ft
Outlet #4	Poolside Cabana Bar 135 Sq Ft		
Outlet #5	Events Center Bar na Sq Ft		
Entertainment	Marvel Gaming	Penn Sumner	SGJV
Casino Area	Sidewinders	Sports Bar	Cabaret
Additoinal	Pool Deck can be utilized	200 seating	Outdoor ampitheatrer seat 778 stand 5,000
Meeting and Convention	Marvel Gaming	Penn Sumner	SGJV
Space	40,000 Sq Ft	30,000 Sq Ft	30,338 Sq Ft
Show Seating	2,000 Sq Ft	1,750 Sq Ft	1,500 Sq Ft
Breakout Rooms	5	6	12
Additional Space	2,500 Sq Ft - 5 rooms	4,000 Sq Ft - 4 rooms	
Retail	Marvel Gaming	Penn Sumner	SGJV
Outlet #1	1,175 Sq Ft	1,500 Sq Ft w/Musuem	1,702 Sq Ft Fashion/Jewelery
Outlet #2	1,860 Sq Ft		895 Sq Ft Sundries
Outlet #3	1,500 Sq Ft - Events Center		10,000 Sq Ft - Additional Development
Outlet #4	1,500 Sq Ft -RV park sundries		
Other	Marvel Gaming	Penn Sumner	SGJV
Truck Parking	50 Spaces	50 Spaces	50 spaces in additional development
RV Parking	100 Spaces	50 Spaces	44 spaces in additional development
Exhibition		Hollywood Memoriabilia Musuem	
Golf	Wellington Golf Course partnership (\$2.3 M investment)		Bobby Weed/Butch designed course on property
Golf School			Butch Harmon School of Golf
Tennis	Courts		Courts
Sporting Clays	Sporting Clay Facility		Sporting Clay Facility
Hunting	400 acre guided hunting and fishing		
Other			100 condos and 100 houses